

Message Text

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ACTION STR-04

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 EB-07 SSO-00

NSCE-00 USIE-00 INRE-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 ITC-01

TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 OIC-02 AF-08

ARA-06 EA-07 NEA-10 /139 W
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O R 141721Z JUL 76

FM USMISSION GENEVA

TO SECSTATE WASHDC IMMEDIATE 1177

INFO USMISSION EC BRUSSELS

C O N F I D E N T I A L GENEVA 5604

PASS STR ELECTRICALLY FOR KELLY

PASS TREASURY

EB/OT/TA FOR RAY MAYER

E.O. 11652: GDS

TAGS: GATT ETRD

SUBJECT: WORKING PARTY ON EXPORT INFLATION INSURANCE

REF: A STATE 173906 B WILSON-SPRUCE TELECON OF JULY 14

1. WE ARE CONVINCED THAT EC INTERPRETATION REFERRED TO IN PARA 1
OF REFTEL (A) ARE SIMPLY A CONSEQUENCE OF THE FACT THAT THE
US ONCE MADE EFFORT TO REACH BILATERAL AGREEMENT WITH EC
WHICH WOULD SPECIFY ALL SUBJECTS WHICH MIGHT BE PUT BEFORE
WORKING PARTY. SUCH BILATERAL AGREEMENT WAS, OF COURSE,
NEVER REACHED, AND COMMUNITY APPEARS WISH TO BE CERTAIN THAT
US DOES NOT AT SOME LATER TIME INTIMATE THAT A LIST HAD
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BEEN SPECIFIED.

2. IT IS CLEAR TO EC THAT THE UNITED STATES DOES NOT PLAN TO RAISE MATTERS OTHER THAN EXPORT INFLATION INSURANCE.

3. WE AGAIN TALKED TO EC COMMISSION (LUYTEN) AND ASKED THE COMMISSION REPEAT COMMISSION INTENTION WITH RESPECT RAISING ADDITIONAL MATTERS. LUYTEN SAID HE COULD NOT, OF COURSE, SPEAK FOR MEMBER STATES, BUT HE HIMSELF HAD CONDUCTED SOME RESEARCH TO DETERMINE WHAT RELATED ISSUES MIGHT BE OF INTEREST TO THE WORKING PARTY. WHILE COMMISSION HAS NOT YET IDENTIFIED ANY SPECIFIC ISSUES BEYOND EXPORT INFLATION INSURANCE, LUYTEN NOTED THAT SWITZERLAND APPARENTLY HAS SOME SORT OF EXCHANGE RATE COMPENSATION MECHANISM TO ATONE FOR ADVERSE EFFECTS OF APPRECIATING CURRENCY ON EXPORTS. LUYTEN COULD NOT SAY WHETHER COMMISSION WOULD ACTUALLY BRING THAT MATTER BEFORE WP, BUT IT IS ILLUSTRATIVE OF THE GENERAL SORT OF ISSUE COMMISSION MIGHT SUGGEST.

4. WE TOLD LUYTEN WE ASSUMED COMMISSION WAS STILL INTERESTED IN ESTABLISHMENT OF WORKING PARTY IN ORDER TO KEEP PRESSURE ON MEMBER STATES TO PHASE-OUT EXPORT INFLATION INSURANCE SCHEMES. LUYTEN SAID COMMISSION'S GOAL INDEED DOES REMAIN TO PURSUE SUCH PHASE-OUT, ALTHOUGH HE PERSONALLY WOULD HAVE PREFERRED TO KEEP ISSUE IN OECD RATHER THAN GATT.

5. WE BELIEVE THE DOOR IS CLEARLY OPEN FOR ANYONE SEEKING MISCHIEF TO DELAY THE PROGRESS OF THE WORKING PARTY. HOWEVER, IF SUCH MISCHIEF COMES FROM FRANCE, IT CLEARLY WILL NOT BE IN THE AREA OF STRICT MONETARY POLICY OR STRICT EXCHANGE RATE ISSUES. IT ALSO SEEMS CLEAR THAT ANY OTHER ISSUES PROPOSED BY COMMISSION REPEAT COMMISSION ARE LIKELY TO BE RELEVANT TO THE WORKING PARTY, GIVEN THE COMMISSION'S MOTIVES AND THE ONE POSSIBLE (SWITZERLAND) CASE NOTED ABOVE. WE NOTE, FOR EXAMPLE, THAT THE DUTCH HAVE RECENTLY PLACED INTO EFFECT SOME SORT OF NEW EXPORT COMPENSATION SCHEME. IF REPEAT IF IT SHOULD BECOME CLEAR THAT DUTCH SCHEME CAN HAVE SAME RESULTS AS ATTENUATING OR COMPENSATING FOR THE CONSEQUENCES
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OF COST INFLATION, THEN DISCUSSION OF THAT SCHEME WOULD CERTAINLY SEEM PERTINENT TO WORK OF WP. IN SUM, WE DOUBT WHETHER IT WOULD EVER BE POSSIBLE TO GAIN AGREEMENT FOR FORMATION OF A WP WHICH COULD HAVE IRONCLAD GUARANTEE THAT SOME IRRELEVANT MATTERS MIGHT NOT CREEP IN. ISSUE THEREFORE SEEMS TO BOIL DOWN TO QUESTION OF WHETHER WE DO OR DO NOT WISH TO LAUNCH A GATT INVESTIGATION OF EXPORT INFLATION INSURANCE, AND WE RECOMMEND

THAT US ACCEPT WP AT THE JULY 15 COUNCIL.DALE

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